

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

AN ADJUSTMENT OF THE RATES )  
OF THE LEXINGTON SOUTH ELKHORN ) CASE NO. 7394  
WATER DISTRICT )

O R D E R

Preface

On March 29, 1979, the Lexington South Elkhorn Water District, hereinafter sometimes referred to as the Applicant, filed with this Commission<sup>(1)</sup> its request seeking an increase in water rates and service connection fees to be charged by the District. The rate increase sought by the Applicant would increase annual revenues by approximately \$29,966 over test-year operations.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, June 27, 1979. All parties of interest were notified with the Consumer Protection Division of the Attorney General's Office permitted to intervene in the matter. At the hearing, certain requests for additional information were made by the Commission staff. This information has been filed, and the entire matter is now considered to be fully submitted for a final determination by this Commission.

Test Period

For the purpose of determining the reasonableness of the proposed rates, the twelve-month period ending December 31, 1978, has been utilized as the "Test-Year". Adjustments, where found significant and reasonable, have been included to reflect more current operating conditions.

Findings in This Matter

The Commission, after consideration of all the evidence of

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(1) The predecessor of the present Utility Regulatory Commission was the Public Service Commission which was dissolved March 31, 1979.

record and being advised, if of the opinion and finds:

1. That the existing rates charged by the Applicant, provided annual revenues of approximately \$73, 262 from an average of 465 customers receiving water service during the test-year ending December 31, 1978.

2. That the Applicant's annual proforma expenses, including those for depreciation and interest are estimated to be approximately \$91,991.

That the rates prescribed and set forth in Appendix "A", attached hereto, are the fair, just and reasonable rates to be charged by the Lexington South Elkhorn Water District. Further, that these rates should provide annual revenues of approximately \$91,791 from 465 customers and the addition thereto of \$6,238 other income<sup>(2)</sup> should result in total annual revenues of \$98,029, which should provide for: proforma expenses including depreciation and interest, servicing of the debt, and the accumulation of a reasonable surplus for compliance with bond ordinance requirements. The Commission further concludes that test-year and proforma revenues and expenses can be summarized as shown in Appendix "B", attached hereto and made a part hereof.

4. That the rates proposed by the Applicant are unfair, unjust, and unreasonable in that they would produce revenues in excess of those found reasonable herein and should be denied.

5. That water lost in the Applicant's distribution system was approximately twenty-three (23) percent of the water purchased during the test year. Further, that the Applicant should establish and maintain an ongoing program for detection and correction of leaks in its distribution system and file bimonthly reports with this Commission until such time as such losses have been reduced to fifteen (15) percent or less for three (3) consecutive reporting periods.

6. That according to Kentucky Revised Statutes Chapter 74.361, the Kentucky General Assembly has determined that the reduction in the number of water districts and associations operating in the Commonwealth is in the public interest, "in that mergers of such Districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result

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(2) See tabulations of "Proforma Found Reasonable" in Appendix "B".

in greater economies, less cost, and higher degree of service to the general public..." Therefore, the Commission further finds that the Applicant should investigate the possibilities of merger with the other water utilities operating in this area, and report to this Commission the findings of their investigation within ninety (90) days of the date of this Order.

#### ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth, and the evidentiary record in this case:

HEREBY ORDERS that the rates prescribed and set forth in Appendix "A", attached hereto be and the same are hereby fixed as fair, just, and reasonable rates of the Applicant to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the rates sought by the Applicant be and the same are hereby denied.

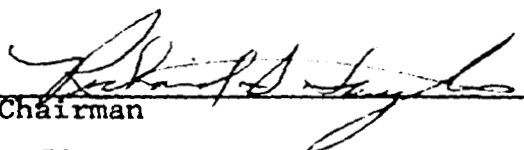
IT IS FURTHER ORDERED that the Applicant establish and maintain a program for detection and correction of leaks in its distribution system and file bimonthly reports with this Commission until such time as these losses have been reduced to fifteen (15) percent or less of the quantity of water purchased for three (3) consecutive reporting periods.

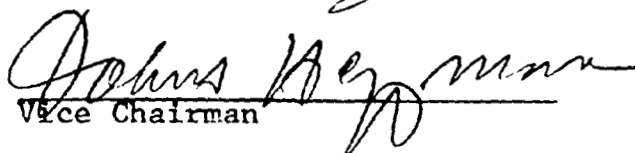
IT IS FURTHER ORDERED that the Applicant investigate the possibilities of merger with the other water utilities operating in this area and make a written report of the findings of said investigation to this Commission within ninety (90) days of the date of this Order.

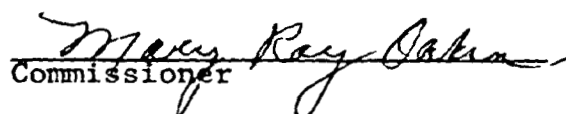
IT IS FURTHER ORDERED that the Applicant shall file with this Commission, within thirty (30) days of the date of this Order its tariff sheets setting forth the rates approved herein. Further, that a copy of the Applicant's "Rules and Regulations" for providing service to its customers shall be filed with said tariff sheets.

Done at Frankfort, Kentucky, this 11th day of January, 1980.

UTILITY REGULATORY COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

## APPENDIX "A"

### APPENDIX TO AN ORDER OF THE UTILITY REGULATORY COMMISSION IN CASE NO. 7394 DATED JANUARY 11, 1980.

The following rates and charges are hereby prescribed for all the customers served by the Lexington South Elkhorn Water District. All other rates and charges not mentioned specifically herein shall remain the same as those in effect prior to the date of this Order.

#### Gallonge Blocks for Each Meter Size

#### Monthly Rate for Each Gallonge Block

##### 5/8-Inch x 3/4-Inch Meter:

First	2,000 gallons	\$ 8.00 (Minimum Bill)
Next	2,000 gallons	2.00 per 1,000 gallons
Next	2,000 gallons	1.50 per 1,000 gallons
Next	10,000 gallons	1.25 per 1,000 gallons
Next	8,000 gallons	1.10 per 1,000 gallons
Over	24,000 gallons	.90 per 1,000 gallons

##### 3/4-Inch Meter:

First	6,000 gallons	\$15.00 (Minimum Bill)
Next	10,000 gallons	1.25 per 1,000 gallons
Next	8,000 gallons	1.10 per 1,000 gallons
Over	24,000 gallons	.90 per 1,000 gallons

##### 1-Inch Meter:

First	10,000 gallons	\$20.00 (Minimum Bill)
Next	6,000 gallons	1.25 per 1,000 gallons
Next	8,000 gallons	1.10 per 1,000 gallons
Over	24,000 gallons	.90 per 1,000 gallons

##### 1 1/2-Inch Meter:

First	16,000 gallons	\$27.50 (Minimum Bill)
Next	8,000 gallons	1.10 per 1,000 gallons
Over	24,000 gallons	.90 per 1,000 gallons

##### 2-Inch Meter:

First	24,000 gallons	\$36.30 (Minimum Bill)
Over	24,000 gallons	.90 per 1,000 gallons

All meters shall be read to the nearest one hundred gallons each month.

The monthly bill for a customer served by a 5/8" x 3/4" meter shall be \$8.00 for metered usages of zero (0) to two thousand (2,000) gallons. The additional charge for usage in excess of two thousand gallons shall be computed to the nearest one hundred (100) gallons of usage on the basis of the above unit costs per one thousand (1,000) gallons. Monthly bills for customers served by meters larger than 5/8" x 3/4" shall be computed in a similar manner with the total bill being either the minimum bill for that meter, or the summation of the minimum bill and the cost of any additional gallonge to the nearest one hundred (100) gallons.

(2) Applicants request for \$7,200 in funds for E.P.A. Monitoring has been reduced to \$5,475 in accordance with the terms of the contract for the providing of the monitoring.

(3) Applicants request for \$1,500 in leak detection and repair has been amortized over a three (3) year period since this extraordinary repair expense is in addition to normal maintenance and repair.

(4) All of the above noted expenses were reduced to "Test-Year". The increases requested by the Applicant were speculative, at best, and were not considered by the Commission to be reasonable known, and measurable adjustment, to the test-year and were therefore, denied.

(5) Applicants request for the inclusion of bond principal payment as an annual expense has been disallowed since this cost has been considered in the amount allowed as a net surplus before debt retirement.

# APPENDIX "B"

## APPENDIX TO AN ORDER OF THE UTILITY REGULATORY COMMISSION IN CASE NO. 7394 DATED JANUARY 11, 1980.

In accordance with finding number 3, the following is the Commission's summary of "Test-Year" and projected annual revenues and expenses for providing service to 465 customers.

	Test Year <sup>(1)</sup> ending 12/31/78	Pro forma <sup>(1)</sup> Requested	Pro forma found Reasonable
(No. of Customers)	(465)	(465)	(465)
<u>Revenues:</u>			
Water Sales	\$ 73,262	\$ 103,228	\$ 91,791
Penalty	1,623	1,800	1,800
Sales Tax Rebate	-0-	75	75
Service Income	493	600	600
Other Income	3,763	3,763	3,763
Misc. Income	116	-0-	-0-
Total Revenues	\$ 79,257	\$ 109,466	\$ 98,029
<u>Expenses:</u>			
Water Purchased	\$ 20,645	\$ 25,500	\$ 25,500
Utilities	366	500	500
E.P.A. Monitoring	-0-	7,200	5,475 <sup>(2)</sup>
Maintenance & Repairs			
General Maintenance	4,079	6,500	6,500
Supplies & Aerial Photos	1,236	-0-	-0-
Printing & Reproduction	-0-	500	-0- <sup>(4)</sup>
Leak Detection & Repair	-0-	1,500	500 <sup>(3)</sup>
Meter Reading	3,229	3,229	3,229
Administrative and General			
Salaries (Bookkeeper & Manager)	8,600	12,000	12,000
Office Supplies, Postage,			
Telephone	1,153	1,623	1,623
Insurance	686	686	686
Audit	400	400	400
Contingency Fund	-0-	1,000	-0- <sup>(4)</sup>
PSC Assessment	93	93	93
Attorney Fees	3,927	5,000	3,927 <sup>(4)</sup>
Engineering Fees	5,323	8,000	5,323 <sup>(4)</sup>
Commissioners Salaries	5,000	5,000	5,000
Extension Refund Reserves	-0-	7,500	-0- <sup>(4)</sup>
Required Reserves	2,400	2,400	2,400
Bond Principal Payment	2,000	2,000	-0- <sup>(5)</sup>
Uncollectable Accounts	1,103	1,103	1,103
Depreciation	9,058	7,873	7,873
Interest Long Term Debt	9,900	9,800	9,800
Other Interest Expense	59	59	59
Total Expenses	\$ 79,257	\$109,466	\$ 91,991
Surplus before Debt Retirement	-0-	-0-	\$ 6,038

<sup>(1)</sup> "Test-Year" and "Pro Forma" revenues and expenses were taken from the Applicant's Comparative Income Statement (Corrected) for the 12 month period ending December 21, 1978, the test-year in this matter.

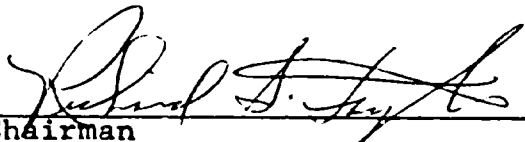
Our Commissioners  
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xerox copy; and the second ORDERED  
paragraph of this Order has been  
deleted as inappropriate in this case.  
BB Trenchard

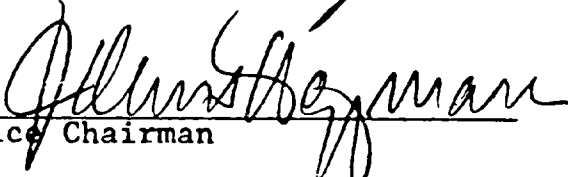
Lexington South Elkhorn  
directly inform each of its customers of  
the amount of the increase in rates approved herein and of  
the specific basis for this increase. Further, that the  
Lexington South Elkhorn Water District shall, within thirty  
(30) days of the date of this Order, file with this Commission  
its certification that its customers have been duly informed  
as ordered herein.

IT IS FURTHER ORDERED that the Lexington South Elkhorn  
Water District file with this Commission, within thirty (30)  
days from the date of this Order, its tariff sheets setting  
forth the rates and charges approved herein. Further, that  
a copy of the Applicant's "Rules and Regulations" for providing  
service to its customers shall be filed with said tariff sheets.

Done at Frankfort, Kentucky, this

UTILITY REGULATORY COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

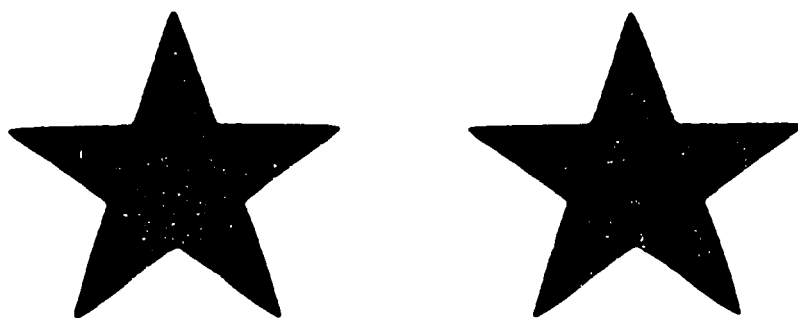
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ATTEST:

Secretary



# **CORRECTION**



***PRECEDING IMAGE HAS BEEN  
REFILMED  
TO ASSURE LEGIBILITY OR TO  
CORRECT A POSSIBLE ERROR***

Our Commissioner signed the  
Order -- but they signed ~~the~~ an  
Xerox copy; and the second ORDERED  
Paragraph of the Order has been  
deleted as inappropriate in the case.

BB Luedke

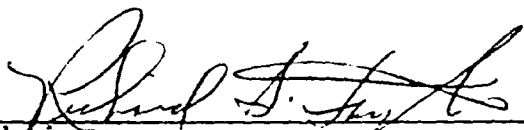
IT IS FURTHER ORDERED that the rates and charges sought by the Lexington South Elkhorn Water District be and the same are hereby denied.

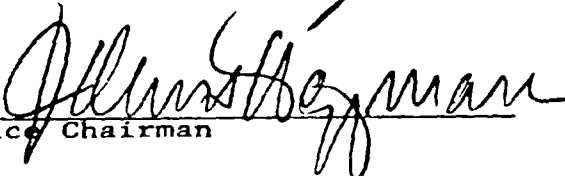
IT IS FURTHER ORDERED that the Lexington South Elkhorn Water District shall directly inform each of its customers of the magnitude of the increase in rates approved herein and of the specific basis for this increase. Further, that the Lexington South Elkhorn Water District shall, within thirty (30) days of the date of this Order, file with this Commission its certification that its customers have been duly informed as ordered herein.

IT IS FURTHER ORDERED that the Lexington South Elkhorn Water District file with this Commission, within thirty (30) days from the date of this Order, its tariff sheets setting forth the rates and charges approved herein. Further, that a copy of the Applicant's "Rules and Regulations" for providing service to its customers shall be filed with said tariff sheets.

Done at Frankfort, Kentucky, this

UTILITY REGULATORY COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

X  
Revised  
2/9/60

ATTEST:

\_\_\_\_\_  
Secretary